A photograph of an oil rig at night. A large, bright orange and yellow flame is rising from a flare on the left side of the rig. The rig's structure, including pipes and valves, is silhouetted against the dark background. The sky is dark, and the overall scene is illuminated by the light from the flare.

AR05

# Clearport Petroleums Ltd.

1985 ANNUAL REPORT



# OPERATIONS

ALBERTA

Swan Hills

Ross Haven

West Pembina

Edmonton

Drumheller

Calgary

Atlee Buffalo

Pendant D'Oreille

■ TOWNSHIPS IN WHICH CLEARPORT  
PETROLEUMS HOLDS INTERESTS

24 0 24 48 MILES





(INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ALBERTA, CANADA)

## Notice of Annual General Meeting of Shareholders

November 1, 1985

To: The Shareholders of  
Clearport Petroleums Ltd.

NOTICE is hereby given that the Annual General Meeting of Shareholders of Clearport Petroleums Ltd. (hereinafter called "the Company") will be held at the offices of the Company at 522, 550 - 6th Avenue S.W., in the City of Calgary, Province of Alberta, on Friday, the 1st day of November, 1985 A.D., at 10:00 o'clock a.m. (Mountain Standard Time), for the following purposes:

1. To receive and consider the Report of the Directors, the financial statement of the Company to June 30, 1985 and the auditors' report thereon.
2. To elect directors of the Company for the ensuing year and until their successors shall be duly elected and qualified.
3. To appoint Miller, McClelland & Co. as Auditors of the Company.
4. To hold annual meeting of Clearport Petroleums Inc., which is the United States wholly-owned subsidiary of Clearport Petroleums Ltd.
5. To transact such other business as may properly come before the meeting or any adjournment thereof.

The share transfer books of the Company will not be closed, but in lieu thereof, the Board of Directors has fixed the close of business on the 30th day of September, 1985 as the record date for the determination of shareholders who are entitled to notice of and to vote either in person or by proxy at the Annual General Meeting or at any adjournment or adjournments thereof.

Shareholders who do not expect to attend the Meeting in person are urged to fill in, sign, date and return the enclosed Proxy in the enclosed envelope. The Proxy must be deposited at the office of Guaranty Trust Company of Canada, 401 - 9th Avenue South West, Calgary, Alberta, not less than 48 hours before the time for holding the meeting.

DATED at Calgary, Alberta, Canada, this 18th day of October, A.D. 1985.

BY ORDER OF THE BOARD OF DIRECTORS

Robert M. Ross,  
President



(INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ALBERTA, CANADA)

## Annual General Meeting of Shareholders

November 1, 1985

### PROXY STATEMENT AND INFORMATION CIRCULAR

Management of Clearport Petroleums Ltd. (the "Company") solicits the enclosed Proxy for use at the 1985 Annual General Meeting of Shareholders of the Company to be held at the offices of the Company at 522, 550 - 6th Avenue S.W., in the City of Calgary, Province of Alberta, Canada, at 10:00 o'clock a.m. (Mountain Standard Time) on November 1st, 1985 and at any adjournments thereof for the purposes set forth in the Proxy. Shareholders may revoke their proxy at any time prior to the exercise thereof. A proxy, when executed and not so revoked, will be voted in accordance with the instructions thereon.

Solicitation of proxies will be primarily by mail but may also be by telephone, telegraph or oral communications by the directors, officers and regular employees of the Company, at no additional compensation. The cost of soliciting proxies will be borne by the Company.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Holders of the Company's common shares of record at the close of business on September 30, 1985 will be entitled to notice of and to vote one vote per share on all matters placed before the Meeting. Two or more shareholders personally

present who were shareholders as at September 30, 1985 will constitute a quorum. Shareholders are not entitled to cumulate their votes in the election of directors. On September 29, 1985 there were 1,888,103 shares of the Company's common shares without nominal or par value outstanding. To the knowledge of the directors and senior officers of the Company, Robert M. Ross is the only person or company which beneficially owns, directly or indirectly, common shares of the Company carrying more than 10% of the voting rights attached to all equity shares of the Company. Robert M. Ross owns of record and beneficially 838,846 shares of the Company which constitutes 44.43% of the outstanding shares of the Company.

### ELECTION OF DIRECTORS

At this Meeting four (4) directors are to be elected, each director to hold office until the Annual General Meeting of Shareholders of the Company in 1986 or until his successor has been elected and qualified. It is intended that votes will be cast pursuant to the proxies for the election of the following nominees as directors, all of whom are presently directors of the Company. Two of the present directors have been directors since the incorporation of the Company on March 8, 1972 and one has been a director since June 18, 1982 and one other appointed in 1985.



<u>Name and Address</u>	<u>Positions Presently Held</u>	<u>Principal Occupations During Preceding Five (5) Years</u>	<u>Number of Common Shares Beneficially Owned as of Sept. 30, 1985</u>
Robert Morris Ross, 4511 - 14A Street S.W. Calgary, Alberta	Director & President	President Clearport Holdings, 1961-85.	838,846
Harold Lawrence Farney, 4239 Britannia Drive Calgary, Alberta	Director & Vice-President	President, Farney Exploration Ltd., merged with Tele- dyne 1965; President, Quinn-Farney Ltd., 1965-85.	90,408
Robert Collins Ross, #131, 2528 - 66 Avenue S.W. Calgary, Alberta	Director & Secretary-Treasurer	Geologist and Production Manager, Clearport Petro- leums Ltd., 1982-85.	55,600

#### REMUNERATION OF OFFICERS AND DIRECTORS

The aggregate remuneration paid to all directors and senior officers of the Company, as a group, including the five highest paid employees, during the Company's last completed financial year by the Company and its subsidiaries whose financial statements are consolidated with those of the Company is set forth as follows:

<u>Aggregate Remuneration</u>	<u>Estimated Annual Benefits Upon Retirement</u>	<u>Options to Purchase Securities</u>
125,500	NIL	NIL

#### APPOINTMENT OF AUDITORS

The Shareholders will be asked to vote for the appointment of Miller, McClelland & Co. as Auditors of the Company for the fiscal year ending June 30, 1986.

#### OTHER BUSINESS

Management knows of no other business which is likely to be brought before the meeting other than that which is set forth in items 1, 2, 3 and 4 of the notice thereof. If however, any other business should properly be presented to the meeting, the persons named in the accompanying form of Proxy will vote the Proxy in accordance with their best judgement on such matters and the Proxy confers such discretionary authority.

BY ORDER OF THE BOARD OF DIRECTORS

Robert M. Ross,  
President.

DATED this 18th day of October, 1985 A.D.  
Calgary, Alberta, Canada



## ANNUAL REPORT, 1985

The cover picture is a photograph of a Basal Quartz formation production test in the Drumheller area. This gas well flowed 2 MMCF per day from the Basal Quartz and 9 MMCF per day from the Glauconitic formation. Significant liquid petroleum gas recovery is also expected. Clearport and its partners are presently installing production equipment and preparing for tie-in to a Petro-Canada Inc. gas market. This well is one that we have anxiously been awaiting to put on stream and should enhance our cash flow considerably beginning in November, 1985.

Also in the Drumheller area, Clearport has arrived at a 50% working interest in one gas well and retains an override in a second gas well which is approaching pay-out status. Both of these gas wells are contracted to Pan Alberta Ltd. during the winter months and a discount market during the summer. Clearport forecasts significant increases in revenue from these wells compared to the last 12 months.

Our southern Alberta production had been shut-in on the 1st day of May, 1985. However, production will resume to the Canadian Montana Gas Co. Ltd. on October 1, 1985 at the full Alberta Border Price.

In terms of exploration, the company presently has an opportunity to participate in, or farm-out, its interest in a Cessford area gas field, where our first well, completed in the Basal Colorado, has been a success. At the time of writing a direct offset drilling location is being surveyed on company land. In Brazeau-West Pembina, Petro-Canada has drilled an immediate offset to the south of our acreage and completed same as an oil well. Therefore we are in a position to either participate in the drilling of our property, or elect to farm-out. In the Drumheller area, we have been approached for a farm-out on a section where Clearport holds a 50% interest in oil and where we are immediately offset by oil production. On this project, we are negotiating with partners to either finance drilling or farm-out. In total, we have some 14 potential drilling locations directly offset by either gas or oil production. Through aggressive gas

marketing the company is aiming to increase internal financial support necessary to carry out a competitive land acquisition program and adequate geophysical procedures to satisfactorily select the optimum projects for our drilling.

Our financial Statement reveals that even with recent decreases in the price of gas and only half a year's continuous operation, we were able to escalate production revenue to \$866,000.00, up some 55% over the previous year. This has shown us a 5.5¢ earning per share and a vast change from the 1983-1984 picture.

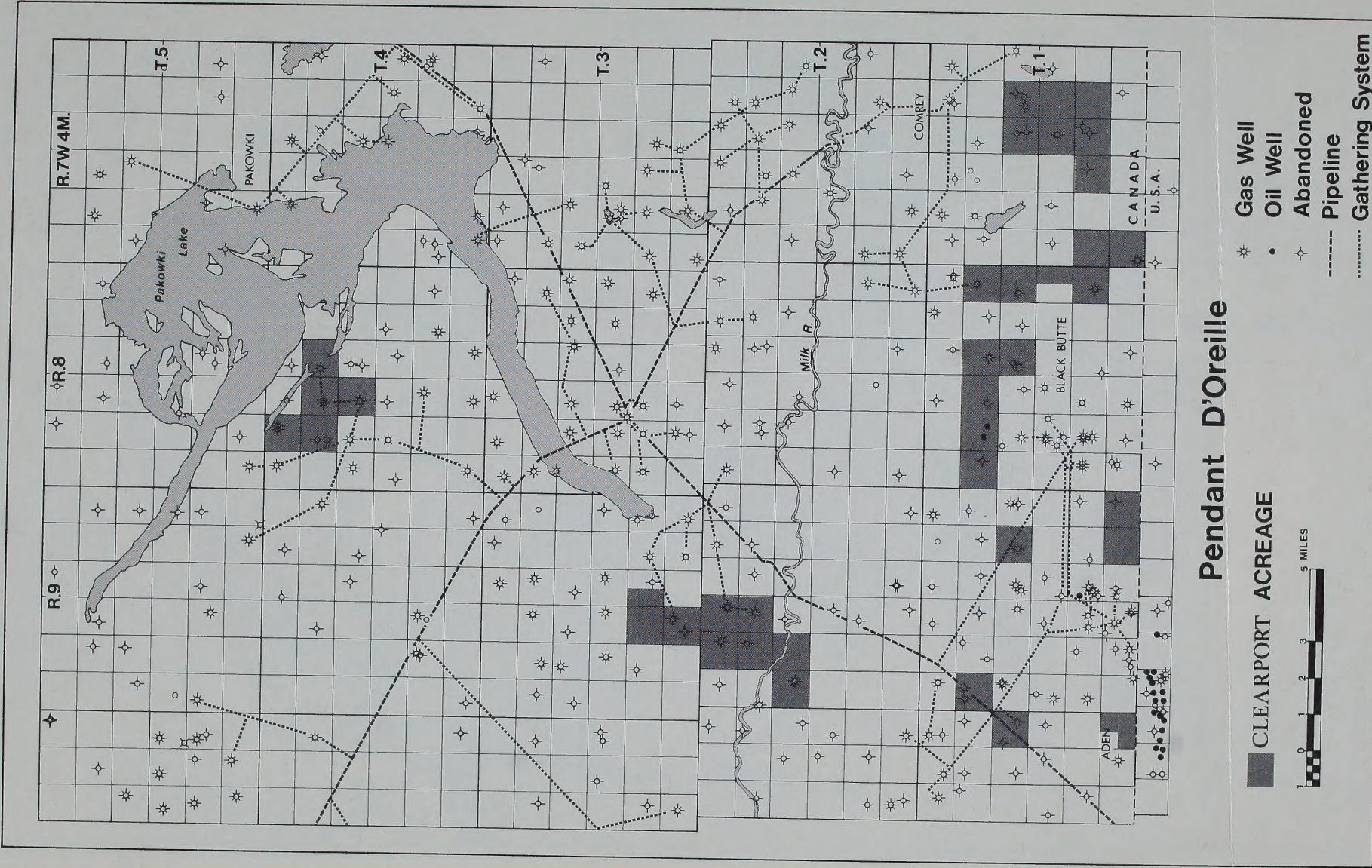
Our working capital position has come from a negative at June 30, 1984 of \$750,000.00 to a positive position of \$9,000.00 on June 30, 1985. Referring to our engineering evaluation, you will note as at August 28, 1985 our future cash flow discounted at 15% is some \$12,018,000.00 with our present issued capital of 1,888,103 shares. This relates a value per issued share of \$6.37.

The Company wishes to thank you all for your kind diligence in bearing with us over the multi-troubled past six years, however the future appears bright. The new Federal Government is working to make Canadian gas more competitive in the U.S. marketplace. It now appears that with the possibility of a continued upsurge in marketing programs, this natural resource will do much to assist in revitalizing the energy industry and consequently help to further reduce the national debt.

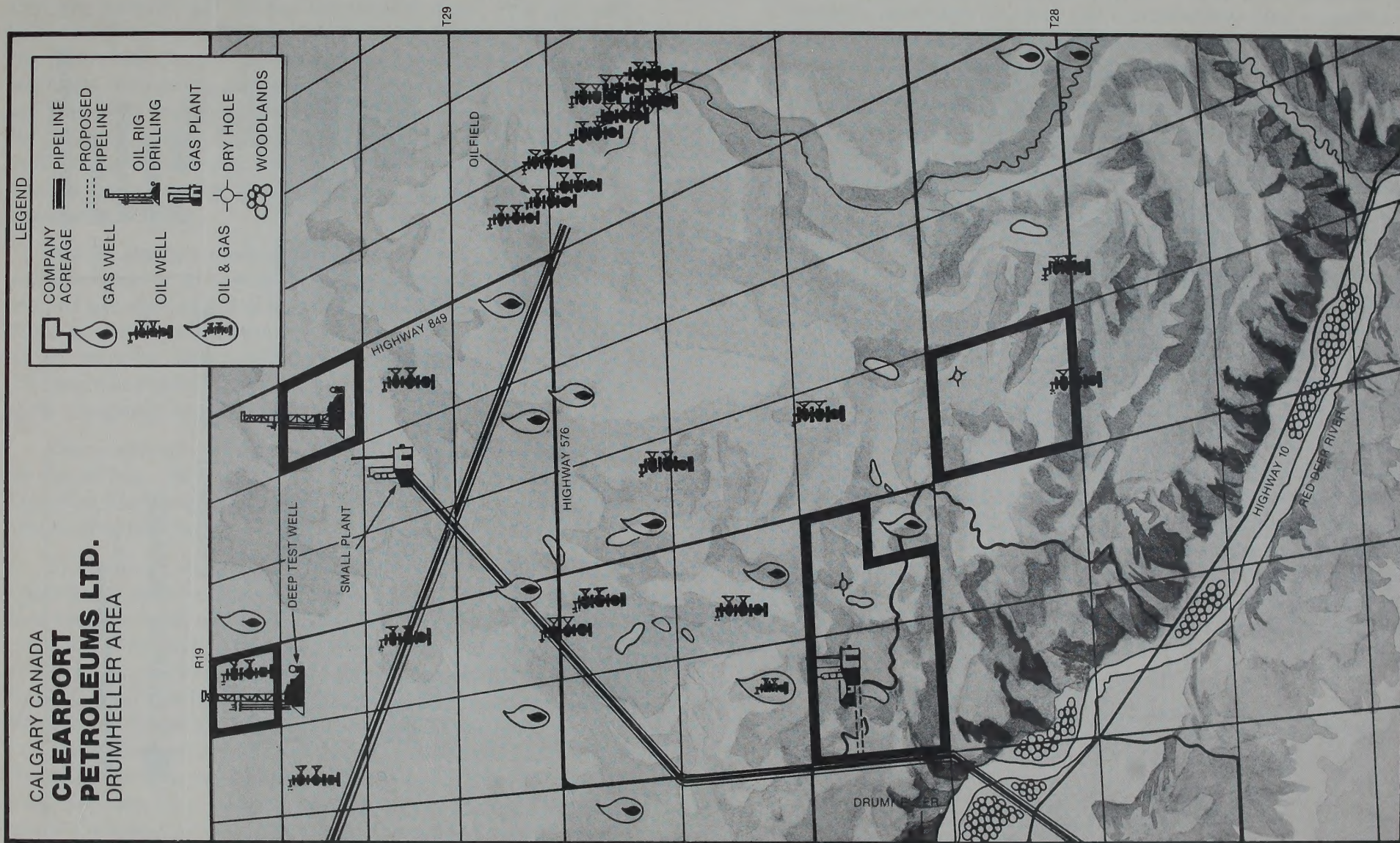
Respectfully submitted,

ROBERT M. ROSS  
President





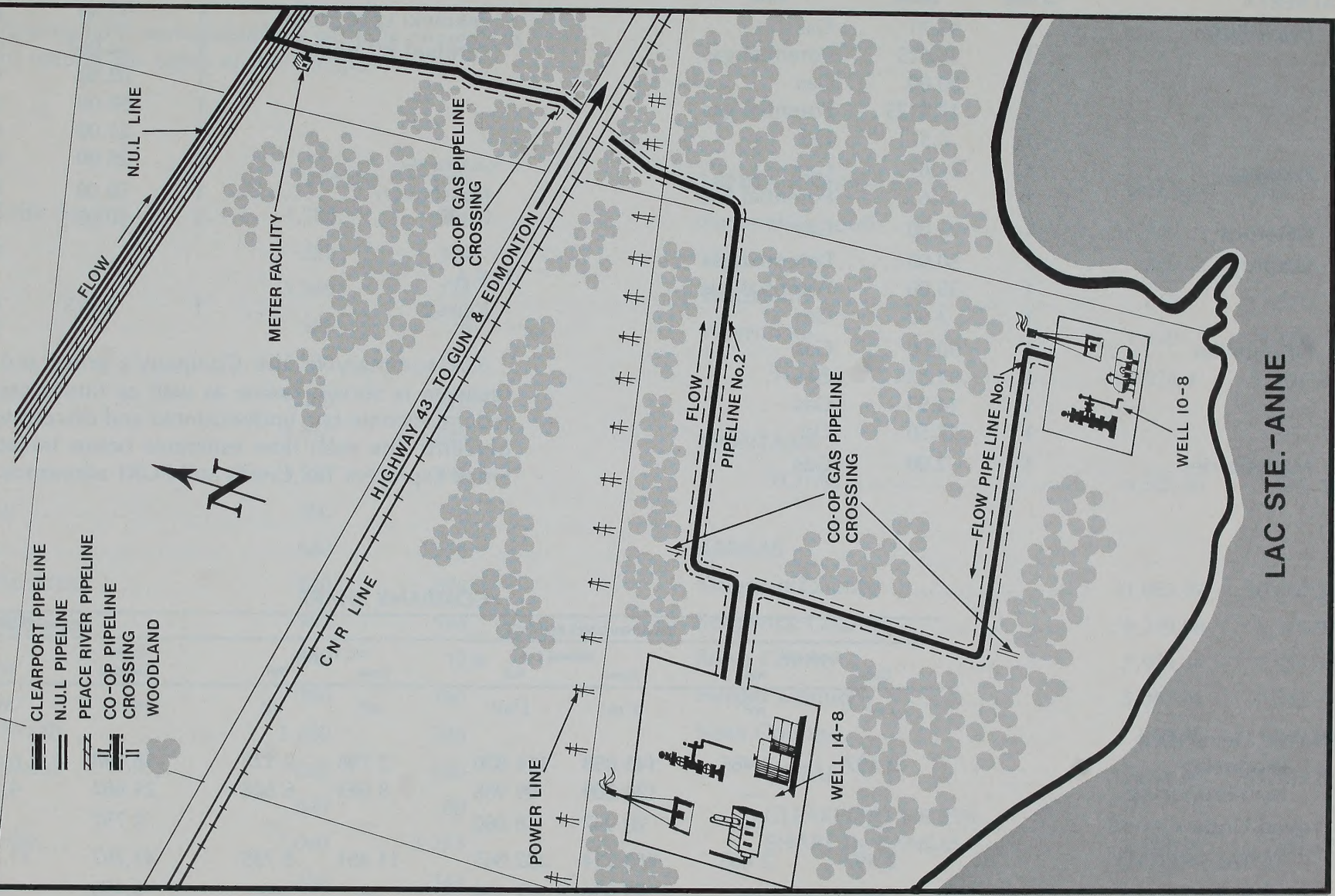






CALGARY, CANADA  
**CLEARPORT PETROLEUMS LTD.**  
**ROSSHAVEN LAC STE.-ANNE AREA**

- CLEARPORT PIPELINE
- N.U.L. PIPELINE
- PEACE RIVER PIPELINE
- CO-OP PIPELINE
- CROSSING
- WOODLAND



LAC STE.-ANNE



## OIL AND GAS WELLS

ALBERTA	Gross Number of Wells	Percentage Interest	Status		Gross Number of Wells	Percentage Interest	Status
Black Butte .....	1	95.71	Gas	Pakowki Lake North ..	1	25.00	Potential Gas
	1	35.625	Potential gas	Pendant d'Oreille ....	1	64.967	Gas
	2	30.00	Gas		1	62.50	Gas
	1	17.8125	Potential gas		1	50.00	Gas
	1	7.5	Oil		4	25.00	Gas
Brooks .....	1	.6	Gas		1	25.00	Potential Gas
	1	.6	Potential Gas	Rosshaven .....	1	50.00	Gas and Oil
Cessford .....	1	25.00	Gas		1	50.00	Potential Gas
Comrey .....	1	50.00	Potential gas				
	1	35.00	Potential gas				
	1	3.00	Gas				
Drumheller .....	1	50.00	Gas				
	1	21.875	Gas				
	1	14.95	Gas				
	1	12.50	Oil				
Manyberries .....	1	2.00	Gas				

### U.S.A.

Kansas .....	1	3.125	Gas
--------------	---	-------	-----

A summary of the Company's gross and net share of reserves is shown below as well as future cash flow before federal income tax, undiscounted and discounted at 15 and 20 percent. The cash flow estimates below include the Alberta Small Explorers Tax Credit and PGRT allowance.

### COMPANY SHARE

	REMAINING NET RESERVES						FUTURE CASH FLOW		
	Crude Oil		Natural Gas		NG Liquids		Undis-	Discounted @	
	Gross	Net	Gross	Net	Gross	Net	counted	15%	20%
	m <sup>3</sup>	m <sup>3</sup>	E <sup>3</sup> m <sup>3</sup>	E <sup>3</sup> m <sup>3</sup>	m <sup>3</sup>	m <sup>3</sup>	M \$	M \$	\$
Proved Developed									
Producing .....	2 497	2 465	143 058	114 820	2 798	2 127	18,848	6,149	4,901
Non-Producing .....	—	—	124 209	99 985	8 663	6 608	21,662	4,522	3,258
Proved Undeveloped .....	—	—	20 947	18 060	—	—	2,757	534	321
TOTAL PROVED .....	2 497	2 465	288 214	232 865	11 461	8 735	43,267	11,205	8,480
Probable Additional .....	—	—	25 056	22 118	—	—	3,495	813	560
TOTAL .....	2 497	2 465	313 270	254 983	11 461	8 735	46,762	12,018	9,040

The value of the Company's undeveloped acreage has been estimated to be \$448,080.



## ACREAGE

The following table summarizes the working interests in petroleum and natural gas rights of the Company:

ALBERTA	GROSS AREA	NET COMPANY ACRES
Aden (Black Butte Area) .....	1,280	206.4
Bigoray South .....	320	304
Black Butte .....	3,840	728
Bonnie Glenn .....	160	8
Brooks .....	2,560	153.6
Cessford .....	1,280	320
Comrey .....	5,120	2,048
Drumheller .....	3,520	816.3
Fenn Big Valley .....	800	8
Haro .....	640	576
Lait (Black Butte Area) .....	640	616
Leduc-Woodbend .....	160	144
Manyberries .....	640	12.8
Michichi .....	160	160
Pakowki Lake North .....	1,280	320
Pembina Southwest .....	640	640
Pembina West .....	640	80
Pendant d'Oreille .....	7,040	3,273
Rainbow Lake .....	160	144
Rainbow South .....	160	160
Rainbow West .....	320	288
Rosshaven .....	1,244.4	622.2

ALBERTA (Cont'd)	GROSS AREA	NET COMPANY ACRES
Swan Hills South .....	640	320
Virgo .....	320	288
Wabamun .....	640	576
Wrentham .....	1,120	1,008
TOTAL .....	35,324.4	13,820.3
<b>MONTANA</b>		
TOTAL .....	4,325.43	4,285.43
<b>KANSAS</b>		
Kingman County .....	11,055.97	10,840.99
Sedgwick County .....	9,349.98	9,349.98
Reno County .....	7,965.34	7,955.34
Harper County .....	5,042.91	5,042.91
Ness County .....	240.00	240.00
TOTAL .....	33,654.20	33,429.22
CLEARPORT'S 6.25% SHARE IN KANSAS .....	2,103.38	2,089.32



## MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

The financial statements, which consolidate the financial results of Clearport Petroleum Ltd. and its subsidiary have been prepared in accordance with accounting principles generally accepted in Canada, consistently applied. The objectivity and integrity of data in these financial statements, including estimates and judgements relating to matters not concluded by year-end, are the responsibility of management as is all other information included in the annual report unless otherwise indicated.

In management's opinion the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized. In meeting its responsibilities for the reliability of the financial statements, management maintains a system of internal accounting controls and administers a program of proper business conduct compliance.

Miller, McClelland & Co., the Company's independent chartered accountants, have been engaged to render an independent professional opinion on the accompanying financial statements. In order to complete their report, which is shown on the next page, they develop and maintain an understanding of the Company's systems and procedures and conduct an examination in accordance with generally accepted auditing standards.

The financial statements were reviewed and approved by the Board of Directors.

Calgary, Alberta  
August 15, 1985



## AUDITORS' REPORT

To the Shareholders of  
Clearport Petroleums Ltd.

We have examined the consolidated balance sheet of Clearport Petroleums Ltd. at June 30, 1985 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the consolidated financial position of the company as at June 30, 1985 and the consolidated results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta  
August 15, 1985

MILLER, McCLELLAND & CO.  
Chartered Accountants



CLEARPORT PETROLEUMS LTD.  
CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED JUNE 30, 1985

	<u>1985</u>	<u>1984</u>
REVENUE		
Production and administration .....	\$ 865,964	\$ 558,457
Less: Crown royalties .....	(160,989)	(74,823)
	704,975	483,634
Interest and other .....	<u>5,519</u>	<u>4,657</u>
	<u>710,494</u>	<u>488,291</u>
EXPENSES		
Administration .....	258,752	273,219
Depletion .....	55,371	41,059
Depreciation .....	32,700	28,990
Interest and bank charges .....	96,505	90,705
Lease and surface rentals .....	9,108	6,944
Loss on sale of investments .....	1,231	—
Operating .....	94,771	81,641
Other royalties and taxes .....	<u>56,147</u>	<u>26,035</u>
	<u>604,585</u>	<u>548,593</u>
Income (loss) before income taxes and extraordinary item .....	<u>105,909</u>	<u>(60,302)</u>
INCOME TAXES (Note 10)		
Current .....	17,376	1,702
Deferred .....	68,261	20,529
Royalty Tax Credit .....	<u>(80,494)</u>	<u>(45,424)</u>
	<u>5,143</u>	<u>(23,193)</u>
Income (loss) before extraordinary item .....	100,766	(37,109)
EXTRAORDINARY ITEM		
Income tax reduction realized on application of prior year losses .....	<u>2,547</u>	<u>1,702</u>
NET INCOME (LOSS)		
FOR THE YEAR .....	<u><u>\$103,313</u></u>	<u><u>\$(35,407)</u></u>
Earnings (loss) per share before extraordinary items .....	5.54¢	(1.97¢)

See accompanying notes



## CLEARPORT PETROLEUMS LTD.

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)

FOR THE YEAR ENDED JUNE 30, 1985

	<u>1985</u>	<u>1984</u>
Deficit, beginning of year		
As previously reported .....	\$ (72,000)	\$ (58,199)
Prior year's adjustments .....	<u>—</u>	<u>(21,606)</u>
As restated .....	(72,000)	(36,593)
Net income (loss) for the year .....	<u>103,313</u>	<u>(35,407)</u>
Retained earnings (deficit), end of year .....	<u>\$ 31,313</u>	<u>\$ (72,000)</u>

See accompanying notes



## CLEARPORT PETROLEUMS LTD.

(Incorporated Under the Business Corporations Act of Alberta)

## CONSOLIDATED BALANCE SHEET

AT JUNE 30, 1985

## ASSETS

	<u>1985</u>	<u>1984</u>
CURRENT		
Cash .....	\$ 70,040	\$ 1,216
Accrued interest receivable .....	107	134
Accounts receivable .....	110,401	82,993
Alberta royalty tax credit .....	49,889	24,369
Prepaid expenses .....	<u>1,694</u>	<u>1,591</u>
	232,131	110,303
 PROPERTY, PLANT AND EQUIPMENT		
(Notes 1 & 2) .....	1,604,970	1,639,073
 OTHER, at cost		
Drilling deposit .....	<u>10,000</u>	<u>10,000</u>
	<u>\$1,847,101</u>	<u>\$1,759,376</u>

APPROVED BY THE BOARD

*Robert M. Ross*

Director

*Robert C. Ross*

Director

See accompanying notes



## CLEARPORT PETROLEUMS LTD.

(Incorporated Under the Business Corporations Act of Alberta)

## CONSOLIDATED BALANCE SHEET

AT JUNE 30, 1985

## LIABILITIES

	<u>1985</u>	<u>1984</u>
CURRENT		
Bank indebtedness (Note 3) .....	\$ —	\$ 735,000
Accounts payable .....	58,704	89,794
Current portion of long-term debt (Note 3) .....	<u>165,104</u>	<u>—</u>
	223,808	824,794
LONG-TERM DEBT (Note 3) .....	511,321	—
DEFERRED INCOME TAXES (Note 1) .....	<u>105,890</u>	<u>37,629</u>
	<u>841,019</u>	<u>862,423</u>

## SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 7)		
Authorized		
5,000,000 shares without par value,		
Issued		
1,888,103 Shares .....	1,000,433	1,000,433
Less: 24,700 shares held in Treasury, at cost (1984 — 28,400) .....	<u>25,664</u>	<u>31,480</u>
	974,769	968,953
RETAINED EARNINGS (DEFICIT) .....	<u>31,313</u>	<u>(72,000)</u>
	<u>1,006,082</u>	<u>896,953</u>
	<u>\$1,847,101</u>	<u>\$1,759,376</u>

See accompanying notes



CLEARPORT PETROLEUMS LTD.  
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED JUNE 30, 1985

	<u>1985</u>	<u>1984</u>
<b>SOURCE OF WORKING CAPITAL</b>		
Net income (loss) for the year .....	\$ 103,313	\$ (35,407)
Items not representing a change in working capital		
Depreciation and depletion .....	88,071	70,049
Deferred income taxes .....	68,261	20,529
Incorporation costs written off .....	—	991
(Gain) loss on disposal of assets .....	<u>1,231</u>	<u>(612)</u>
Total working capital provided from operations .....	260,876	55,550
Exploration and development costs recovered .....	—	9,844
Government grants .....	14,829	—
Proceeds on disposal of assets .....	12,000	5,800
Refund of drilling deposits .....	—	6,044
Bank refinancing net of collateral account .....	<u>676,425</u>	<u>—</u>
	<u>964,130</u>	<u>77,238</u>
 <b>APPLICATION OF WORKING CAPITAL</b>		
Additions to fixed assets		
Furniture and fixtures .....	—	1,200
Exploration and development costs .....	13,096	12,034
Acquisition of leases .....	1,222	45,700
Lease rentals of non-producing properties .....	19,319	16,603
Equipment .....	35,159	4,163
Acquisition of company shares .....	7,416	31,480
Increase in current portion of long-term debt .....	<u>165,104</u>	<u>—</u>
	<u>241,316</u>	<u>111,180</u>
INCREASE (DECREASE) IN WORKING CAPITAL, FOR THE YEAR .....	722,814	(33,942)
Working Capital (deficiency), beginning of year .....	<u>(714,491)</u>	<u>(680,549)</u>
WORKING CAPITAL (DEFICIENCY), END OF YEAR .....	<u>\$ 8,323</u>	<u>\$(714,491)</u>

See accompanying notes



## CLEARPORT PETROLEUMS LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 1985

## 1. ACCOUNTING POLICIES

## a) Consolidation —

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, Clearport Petroleums Inc.

## b) Property, Plant and Equipment —

The company follows the full cost method of accounting for petroleum and natural gas operations, whereby all costs of exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenses, lease rentals on non-producing properties, cost of drilling both productive and non-productive wells and all technical and administrative overheads directly related to exploration and development activities. Costs are accumulated on a country by country basis and are amortized by the unit of production method based upon estimated proven developed and undeveloped reserves in each country as determined by the company and substantiated periodically by independent engineers.

## c) Depreciation —

All equipment, furniture and fixtures are recorded at cost and depreciation is provided using the straight-line method, at the rates set out in Note 2.

## d) Deferred Income Taxes —

The company records income taxes on the tax allocation basis. Deferred income taxes result primarily from claiming capital cost and other allowances in excess of depreciation and depletion recorded in the accounts.

## e) Foreign currency translation —

The company records foreign currency transactions on the basis of the actual rates of exchange in effect at the time of transactions.



## 2. PROPERTY, PLANT AND EQUIPMENT

	Rate	Cost	Accumulated Depreciation and Depletion	Net Book Value	
				1985	1984
Petroleum & Natural Gas Leases . . . . .	Note 1(b)	\$ 1,944,919	\$ 500,628	\$ 1,444,291	\$ 1,466,025
Petroleum & Natural Gas equipment . . . . .	10.00%	300,443	142,245	158,198	169,174
Furniture & Fixtures . . . . .	10.00%	<u>13,925</u>	<u>11,444</u>	<u>2,481</u>	<u>3,874</u>
		<u>\$2,259,287</u>	<u>\$ 654,317</u>	<u>\$1,604,970</u>	<u>\$1,639,073</u>

## 3. LONG-TERM DEBT

Toronto Dominion Bank demand loan, carrying interest at prime plus 1 . . . . .	\$1,005,000
Less: Cash collateral account . . . . .	(58,575)
Loan of Mr. R. M. Ross . . . . .	(238,000)
Loan of Clearport Holdings Ltd. . . . .	<u>(32,000)</u>
	676,425
Less: portion included under current liabilities . . . . .	<u>(165,104)</u>
	<u>\$ 511,321</u>

As a result of revised financing arrangements with the bank, the original demand loan of \$735,000 has been consolidated with the loans of Clearport Holdings Ltd. and Mr. Robert M. Ross. The projected repayment schedule of the full loan is as follows:

December 31, 1985 . . . . .	\$ 228,000
December 31, 1986 . . . . .	175,000
December 31, 1987 . . . . .	135,000
December 31, 1988 . . . . .	124,000
December 31, 1989 and future years . . . . .	<u>343,000</u>
	<u>\$1,005,000</u>

The loan is secured by —

- A general assignment of book debts.
- An assignment of the proceeds of oil and gas contracts.
- Unlimited personal guarantee of Mr. R. M. Ross — a director and major shareholder including specific personal assets of the director.



4. DIRECTORS AND OFFICERS

As at June 30, 1985 the company had three directors and three officers, all of the officers also being directors of the company.

The remuneration of the officers amounted to \$125,500 for the year ended June 30, 1985.

5. RELATED PARTY TRANSACTIONS

Related party interests held in properties owned by the Company are as follows:

PROPERTY	CLEARPORT HOLDINGS LTD.	R. M. ROSS
Producing Wells		
6-23-1-9-W4th .....	50%	—
10-30-1-9-W4th .....	—	10% to payout, reverting to 5%
S.W. ¼-15-50-9-W5th .....	2.25%	—
11-30-1-9-W4th .....	—	5%

In addition, the Company leases furniture from Clearport Holdings Ltd.

At June 30, 1985, \$21,982 included in accounts receivable was due from related parties.

Clearport Holdings Ltd. is a company wholly-owned by Mr. Robert M. Ross.

6. EXPLORATION COMMITMENTS

Under an agreement dated April 30, 1981 the Company is committed to expend \$250,000 (U.S.), plus 7% administrative fees in a Kansas Joint Venture. To June 30, 1985, \$188,780 (Canadian), had been expended. It is the intention of the company not to make any further expenditures on the Kansas Joint Venture.

7. SHARE CAPITAL

a) Stock Option —

Under an agreement dated December 18, 1981, R. M. Ross was granted an option to purchase additional shares of the Company as follows:

- 50,000 shares at \$1.50 per share.
- 50,000 shares at \$1.75 per share.
- 100,000 shares at \$2.00 per share.

This option agreement has been approved by the Alberta Stock Exchange and expires October 30, 1986. To date, no part of the option has been exercised.



## 7. SHARE CAPITAL (continued)

Under an agreement dated July 8, 1985, Mr. R. C. Ross was granted an option to purchase additional shares of the company as follows:

50,000 shares at \$1.00 per share.

50,000 shares at \$1.50 per share.

This option agreement has been approved by the Alberta Stock Exchange and expires on July 2, 1990. To date no portion of this option has been exercised.

## b) Shares in Treasury —

During the year, the company acquired an additional 8,300 shares and disposed of 12,000 shares.

## 8. CONTINGENCY

These financial statements have been prepared on the basis of a going concern. The company is dependent on its ability to sell oil and gas products and in the event that these sales are not forthcoming, the realization of its assets would be dependent on the market conditions at that time.

## 9. COMPARATIVE FIGURES

Certain of prior years' comparative figures have been reclassified to conform with current year's presentation.

## 10. INCOME TAXES

- a) At June 30, 1985, the company had accumulated \$2,975 in business investment tax credits which are available to reduce Canadian federal income taxes in future years until:

1986 .....	777
1991 .....	213
1992 .....	<u>1,985</u>
	<u>\$2,975</u>

- b) The company's income tax provision (recovery) is made up as follows:

	1985	1984
Expected income taxes payable (recovery) .....	\$49,777	\$(28,342)
Add (deduct) income taxes attributable to:		
a) expenses disallowed for tax purposes .....	37,818	35,390
b) Alberta Royalty Tax Credit .....	(80,494)	(45,424)
c) Other .....	(4,817)	14,993
d) Losses not recognized for tax purposes .....	<u>2,859</u>	<u>190</u>
Income tax (recovery) .....	<u>\$ 5,143</u>	<u>\$(23,193)</u>

## 11. SUBSEQUENT EVENTS

Subject to a proposed prospectus, a Limited Partnership will be formed to acquire an equity interest in Clearport Petroleum Ltd. Since the prospectus is in a preliminary stage, the final terms and conditions of the prospectus are unknown at this date.



#### **OFFICERS and DIRECTORS**

Robert M. Ross,  
President & Director

Harold L. Farney  
Vice-President & Director

Robert C. Ross  
Secretary-Treasurer & Director

#### **TRANSFER AGENTS AND REGISTRAR**

GUARANTY TRUST COMPANY OF CANADA  
401 - 9th Avenue South West, Calgary, Alberta  
T2P 3C5

#### **SOLICITORS**

BENNETT JONES  
3200 Shell Centre  
400 - 4th Avenue S.W.  
Calgary, Alberta  
T2P 0X9

#### **BANKERS**

THE TORONTO-DOMINION BANK  
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T2P 0X9

#### **AUDITORS**

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T3C 0J7

#### **HEAD OFFICE**

522, 550 - 6th Ave. S.W.  
Calgary, Alberta  
T2P 0S2

#### **LISTED**

ALBERTA STOCK EXCHANGE  
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Calgary, Alberta  
T2P 3C4

VANCOUVER STOCK EXCHANGE  
609 Granville Street  
Vancouver, B.C.  
V7Y 1H1

**TRADING SYMBOL**  
**C.P.R.**



